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TAGS: EINV EFIN ETRD ELAB KTDB PGOV OPIC USTR
SUBJECT: SINGAPORE - 2008 INVESTMENT CLIMATE STATEMENT

REF: STATE 158802

¶1. (U) In response to reftel instructions, this message is Post's draft chapter of the 2008 Investment Climate Statement for Singapore. As requested, we have also provided via email a Microsoft Word version of the document to EB/IFD/OIA.

¶2. (SBU) Begin text of Statement:

Singapore

2008 Investment Climate Statement - Singapore

Introduction

Foreign investments, combined with investments through government-linked corporations (GLCs), underpin Singapore's open, heavily trade-dependent economy. With the exception of restrictions in the financial services, professional services, and media sectors, Singapore maintains a predominantly open investment regime. The World Bank's report, "Doing Business 2007: How to Reform," ranked Singapore as the easiest country in which to do business. The U.S.-Singapore Free Trade Agreement (FTA), which came into force January 1, 2004, expanded U.S. market access in goods, services, investment, and government procurement, enhanced intellectual property protection, and provided for cooperation in promoting labor rights and the environment.

The Government of Singapore (GOS) is strongly committed both to maintaining a free market and to taking a leadership role in planning Singapore's economic development. The government actively uses the public sector as both an investor and catalyst for development. As of October 2007, the top six Singapore-listed GLCs accounted for nearly 22 percent of total capitalization of the Singapore Exchange (SGX). Some observers have criticized the dominant role of GLCs in the domestic economy, arguing that it has displaced or suppressed private sector entrepreneurship and investment.

Singapore's aggressive pursuit of foreign investment as another pillar of its overall economic strategy has enabled the country to evolve into a base for multinational corporations (MNCs). The Economic Development Board (EDB), Singapore's investment promotion agency, focuses on securing major investments in high value-added manufacturing and service activities as part of a strategy to replace labor-intensive, low value-added activities that have migrated offshore.

Openness To Foreign Investment

Singapore's legal framework and public policies are generally

favorable toward foreign investors; foreign investors are not required to enter into joint ventures or cede management control to local interests, and local and foreign investors are subject to the same basic laws. Apart from regulatory requirements in some sectors (see "Limits on National Treatment and Other Restrictions"), the government screens investment proposals only to determine eligibility for various incentive regimes (see Annex). Singapore places no restrictions on reinvestment or repatriation of earnings or capital. The judicial system upholds the sanctity of contracts, and decisions are effectively enforced.

Limits on National Treatment and Other Restrictions: Exceptions to Singapore's general openness to foreign investment exist in telecommunications, broadcasting, the domestic news media, financial services, legal and other professional services, and property ownership. Under Singapore law, Articles of Incorporation may include shareholding limits that restrict ownership in corporations by foreign persons.

Telecommunications: Any foreign or domestic company can provide facilities-based (fixed line or mobile) or services-based (local, international, and callback) telecommunications services. Under the Telecoms Competition Code, most recently revised in 2003 , the former monopoly (and 62-percent government-owned) telecommunications service provider, SingTel, faces competition in all market segments, including fixed line, mobile and paging services. Its main competitors, MobileOne and StarHub, are also GLCs. Singapore has approximately 60 facilities-based and 110 services-based operators.

The FTA requires that Singapore take steps to ensure that U.S. telecom service providers obtain the right to interconnect with networks in Singapore at competitive rates and on transparent and reasonable terms and conditions. Despite the Infocomm Development

Authority's (IDA) requirement that SingTel offer wholesale prices for local-leased circuits at reduced rates, U.S. industry is still unable to avail itself of this more competitive pricing structure due to certain uneconomical technical interconnection requirements imposed by SingTel.

SingTel announced in June 2006 plans to consolidate its local exchanges but failed to provide details of specific local exchanges to be closed. This has put U.S. and other carriers' build-out plans on hold. IDA issued a decision in June 2007 that increases the notification period SingTel must provide from six to 18 months. IDA has denied requests by U.S. and other companies for interconnection at more centralized locations. Under the FTA, Singapore has also agreed that dominant licensees (SingTel and Starhub) must offer cost-based access to submarine cable-landing stations and allow sharing of facilities. U.S. and other companies continue to have problems with access to inter-exchange ducts as provided for in the FTA.

U.S. and other companies remain concerned about the lack of transparency in some aspects of Singapore's telecommunications regulatory and rule-making process. In particular, there is no obligation to make information publicly available concerning a company's request for a stay of decision or the filing of an appeal, to request public comments about such requests, or to publish a detailed explanation concerning final decisions made by IDA or the Ministry of Information, Communication and Arts (MICA).

Media: The local free-to-air broadcasting, cable and newspaper sectors are effectively closed to foreign firms. Section 44 of the Broadcasting Act restricts foreign equity ownership of companies broadcasting to the Singapore domestic market to 49 percent or less, although the Act does allow for exceptions. Individuals cannot hold more than 5 percent of the shares issued by a broadcasting company without the government's prior approval.

The Newspaper and Printing Presses Act restricts equity ownership (local or foreign) to 5 percent per shareholder and requires that directors be Singapore citizens. Newspaper companies must issue two classes of shares, ordinary and management, with the latter

available only to Singapore citizens or corporations approved by the government. Holders of management shares have an effective veto over selected board decisions. The government controls distribution, importation and sale of any "declared" foreign newspaper, and significantly restricts freedom of the press, having curtailed or banned the circulation of some foreign publications. In September 2006, Singapore banned the Far Eastern Economic Review on the grounds that the publisher contravened Section 23 of the Newspaper and Printing Presses Act, whereby the offshore publisher must appoint a person within Singapore authorized to accept service of any notice or legal process on behalf of the publisher and post a security deposit of S$200,000 (US$170,000). The government has also "gazetted" foreign newspapers, i.e., numerically limited their circulation. Singapore's leaders have threatened foreign publishers with defamation suits for perceived slights, which has often resulted in the foreign publishers issuing apologies and paying damages.

MediaCorp TV is the only free-to-air TV broadcaster; the government owns 80 percent and SGX-listed Singapore Press Holdings (SPH) owns 20 percent. StarHub Cable Vision (SCV), the sole pay-TV provider since 1996, is a 100-percent owned subsidiary of StarHub Ltd, a publicly-listed GLC. SingTel entered the pay-TV market in January ¶2007. Free-to-air radio broadcasters are mainly government-owned, with MediaCorp Radio Singapore being the largest operator. BBC World Services is the only foreign free-to-air broadcaster in Singapore.

Banking: The Monetary Authority of Singapore (MAS) regulates all banking activities as provided for under the Banking Act. Singapore maintains legal distinctions between foreign and local banks, and the type of license held by foreign banks -- full service, wholesale, and offshore. As of November 2007, 24 foreign full service licensees, 40 wholesale licensees, and 42 offshore licensees operated in Singapore. All offshore banks are eligible to be upgraded to wholesale bank status based on MAS criteria to enable them to conduct a wider range of activities. Except in retail banking, Singapore laws do not distinguish operationally between foreign and domestic banks.

The government initiated a banking liberalization program in 1999 to ease restrictions on foreign banks and has supplemented this with phased-in provisions under the FTA. These measures include removal of a 40-percent ceiling on foreign ownership of local banks and a 20-percent aggregate foreign shareholding limit on finance

companies. It has stated publicly, however, that it will not approve any foreign acquisition of a local bank. Acquisitions exceeding prescribed thresholds of 5 percent, 12 percent or 20 percent of the shares or voting power of a local bank require the approval of the Finance Minister.

Singapore has granted 24 full service licenses to foreign banks, including four U.S. banks. Of these, six, including one U.S. bank, have also been granted "qualifying full bank" (QFB) status. U.S. financial institutions enjoy phased-in benefits under the FTA. Since January 2006, U.S. licensed full service banks that are also QFBs have been able to operate at an unlimited number of locations (branches or off-premises ATMs). Non-U.S. full service foreign banks with QFB status have been allowed to operate since January 2005 at up to 25 locations. U.S. and foreign full-service banks with QFB status can freely relocate existing branches, and share ATMs among themselves. They can also provide electronic funds transfer and point-of-sale debit services, and accept services related to Singapore's compulsory pension fund.

Locally incorporated subsidiaries of U.S. full-service banks with QFB status have been able to apply for access to local ATM networks since June 30, 2006; non-locally incorporated subsidiaries of U.S. full-service banks with QFB status can begin doing so effective January 1, 2008. Singapore on January 1, 2007 lifted its quota on new licenses for U.S. wholesale banks. Singapore abolished quotas on new licenses for full-service foreign banks in July 2005.

Despite liberalization, U.S. and other foreign banks in the domestic

retail banking sector still face barriers. Local retail banks do not face similar constraints on customer service locations or access to the local ATM network. Holders of credit cards issued locally by foreign banks or other financial institutions cannot access their accounts through the local ATM networks. They are also unable to access their accounts for cash withdrawals, transfers or bill payments at ATMs operated by banks other than those operated by their own bank or at foreign banks' shared ATM network. Nevertheless, full-service foreign banks have made significant inroads in other retail banking areas, with substantial market share in products like credit cards and personal and housing loans.

U.S. industry advocates enhancements to Singapore's credit bureau system, in particular, adoption of an open admission system for all credit lenders, including non-banks. Singapore's two credit bureaus, Credit Bureau (Singapore) Private Ltd. ("CBS") and Credit Scan, do not currently provide sufficient support to credit lenders, including non-banks.

Securities and Asset Management: Singapore removed all trading restrictions on foreign-owned stockbrokers in January 2002. Aggregate investment by foreigners may not exceed 70 percent of the paid-up capital of dealers that are members of the SGX. Direct registration of foreign mutual funds is allowed, provided MAS approves the prospectus and the fund. The FTA has relaxed conditions that foreign asset managers must meet in order to offer products under the government-managed compulsory pension fund (Central Provident Fund Investment Scheme).

Legal Services: As of November 2007, 16 of the 73 foreign law firms in Singapore were from the United States. Foreign law firms face certain restrictions. They cannot practice Singapore law, employ Singapore lawyers to practice Singapore law or litigate in local courts. Since June 2004, U.S. and foreign attorneys have been allowed to represent parties in arbitration without the need for a Singapore attorney to be present. U.S. law firms can provide legal services in relation to Singapore law only through a Joint Law Venture or Formal Law Alliance with a Singapore law firm, subject to the Guidelines for Registration of Foreign Lawyers in Joint Law Ventures to Practice Singapore Law. Singapore has relaxed some of these guidelines for U.S. law firms under the FTA. Since July 2007, foreign attorneys have been allowed to own equity in Joint Law Ventures up to a maximum of 25 percent of total shares. Currently, there is one U.S. Joint Law Venture and one U.S. Formal Law Alliance.

With the exception of law degrees from designated U.S., British, Australian, and New Zealand universities, no foreign university law degrees are recognized for purposes of admission to practice law in Singapore. Under the FTA, Singapore recognizes law degrees from Harvard University, Columbia University, New York University, and the University of Michigan.

Singapore relaxed its criteria for admission of attorneys to the Singapore Bar, effective October 2006. One of the new criteria will admit to the Bar Singapore-citizen or permanent-resident law school

graduates of the above-mentioned designated universities who are ranked among the top 70 percent of their graduating class or have obtained lower-second class honors (under the British system). The government allows highly skilled foreign lawyers meeting certain criteria to practice Singapore corporate, finance and banking law.

Engineering and Architectural Services: Engineering and architectural firms can be 100-percent foreign-owned. In line with FTA provisions, and also applicable to all foreign firms, Singapore has removed the requirement that the chairman and two-thirds of a firm's board of directors be engineers, architects or land surveyors registered with local professional bodies. Only engineers and architects registered with the Professional Engineers Board and the Architects Board, respectively, can practice in Singapore. All applicants (both local and foreign) must have at least four years of practical experience in engineering or architectural works, and pass an examination set by the respective Board.

Accounting and Tax Services: The major international accounting firms operate in Singapore. Public accountants and at least one partner of a public accounting firm must reside in Singapore. Only public accountants who are members of the Institute of Certified Public Accountants of Singapore and registered with the Public Accountants Board may practice in Singapore. The Board recognizes U.S. accountants registered with the American Institute of Certified Public Accountants.

Real Estate: In July 2005, the government relaxed certain restrictions on foreign ownership of real estate. Under the Residential Property Act, foreigners are allowed to purchase condominiums or any unit within a building of six or more levels without the need to obtain prior approval from the Singapore Land Authority. For landed homes (houses) and apartments in buildings of fewer than six stories, prior approval is required. Under an option to the EDB's Global Investor Program, up to 50 percent of the S$2 million (US$1.38 million) investment required by a foreigner to qualify for Permanent Resident status can be in private residential properties. There are no restrictions on foreign ownership of industrial and commercial real estate.

Energy: Singapore implemented the Gas (Amendment) Act in June 2007 to facilitate competition and move towards a fully liberalized energy market, in part by opening access to gas pipeline infrastructure. However, at least one U.S. company has encountered difficulties in its access bid due to lengthy delays in the review of its application by the Energy Market Authority. To date, no non-incumbent operators have been able to secure access to the Singapore section of the existing Sumatra-Singapore pipeline.

Conversion And Transfer Policies

The FTA commits Singapore to the free transfer of capital, unimpeded by regulatory restrictions. Singapore places no restrictions on reinvestment or repatriation of earnings and capital, and maintains no significant restrictions on remittances, foreign exchange transactions and capital movements. (See "Efficient Capital Markets" for a discussion of certain restrictions on the borrowing of Singapore Dollars (SGD) for use offshore.)

Expropriation And Compensation

The FTA contains strong investor protection provisions relating to expropriation and due process; provisions are in place for fair market value compensation for any expropriated investment.

Singapore has not expropriated property owned by foreign investors and has no laws that force foreign investors to transfer ownership to local interests; no significant disputes are pending.

Singapore has signed investment promotion and protection agreements with a wide range of countries (see "Bilateral Investment Agreements" below). These agreements mutually protect nationals or companies of either country against war and non-commercial risks of expropriation and nationalization for an initial period of 15 years and continue thereafter unless otherwise terminated.

Dispute Settlement

All core obligations of the FTA are subject to the dispute settlement provisions of the Agreement. The dispute settlement procedures promote compliance through consultation and trade-enhancing remedies, rather than relying solely on trade sanctions. The procedures also set higher standards of openness and transparency.

Singapore enacted and subsequently amended the Arbitration Act of 2001 for domestic arbitration based on the United Nations Commission on International Trade Law (UNCITRAL) Model Law. Singapore ratified the recognition and enforcement of Foreign Arbitration Awards (New York, 1958) on August 21, 1986, and the International Convention on the Settlement of Investment Disputes on November 13, 1968. The Singapore International Arbitration Center (SIAC) and the Singapore

Mediation Center (SMC) actively promote mediation and reconciliation for settling commercial disputes.

Performance Requirements/Incentives

In general, Singapore complies with WTO Trade-Related Investment Measures (TRIMS) obligations. The FTA prohibits and removes certain performance-related restrictions on U.S. investors such as limitations on the number of customer service locations for the retail banking sector.

There are no discriminatory or preferential export or import policies affecting foreign investors. The government does not require investors to purchase from local sources or specify a percentage of output for export. The government also does not require local equity ownership in the investment. There are no rules forcing the transfer of technology. Foreign investors face no requirement to reduce equity over time and are free to obtain their necessary financing from any source. Employment of host country nationals is not required.

Singapore offers numerous incentives to encourage foreign investors to start up businesses, particularly in targeted growth sectors (see Annex).

Right To Private Ownership And Establishment

Foreign and local entities may readily establish, operate, and dispose of their own enterprises in Singapore. Except for representative offices (where foreign firms maintain a local representative but do not conduct commercial transactions in Singapore), there are no restrictions on carrying out remunerative activities.

All businesses in Singapore must be registered with the Accounting and Corporate Regulatory Authority. Foreign investors can operate their businesses in one of the following forms: sole proprietorship, limited liability partnership, incorporated company, foreign company branch or representative office.

Private businesses, both local and foreign, compete on a generally equal basis with GLCs, although some observers have complained that GLCs benefit from cheaper financing due to an implicit government guarantee. Singapore officials reject such assertions, arguing that the government does not interfere with the operations of GLCs or grant them special privileges, preferential treatment or hidden subsidies; they claim that GLCs are subject to the same regulatory regime and discipline of the market as private sector companies. Many observers, however, have been critical of cases where GLCs had entered into new lines of business or where government agencies have "corporatized" certain government functions, in both circumstances entering into competition with already existing private businesses.

The FTA contains specific conduct guarantees to ensure that GLCs will operate on a commercial and non-discriminative basis towards U.S. firms. GLCs with substantial revenues or assets are also subject to enhanced transparency requirements under the FTA. In accordance with its FTA commitments, Singapore enacted the Competition Act in 2004 which was implemented in three phases. Phase I established the Competition Commission of Singapore in January 2005. Phase II implemented provisions on anti-competitive agreements, decisions and practices, abuse of dominance, enforcement, and the appeals process in January 2006. Phase III provisions, which address mergers and acquisitions, came into effect in July 2007.

Singapore has an extensive network of GLCs that are active in many sectors of the economy. Some sectors, notably telecommunications, power generation/distribution, and financial services, are subject to sector-specific regulatory bodies and competition regulations typically less rigorous than those being implemented under the Competition Act.

Protection Of Property Rights

In line with its FTA commitments and obligations under international treaties and conventions, Singapore has developed one of the strongest intellectual property (IP) regimes in Asia. Amendments to

the Trademarks Act, the Patents Act, the Layout Designs of Integrated Circuits Act, Registered Designs Act, a new Plant Varieties Protection Act, and a new Manufacture of Optical Discs Act came into effect in July 2004. The amended Copyright Act and Broadcasting Act came into effect in January 2005. Singapore further amended the Copyright Act in August 2005. Singapore's IP laws should help alleviate problems related to the availability of pirated optical discs, use of unlicensed software by businesses, the transshipment of pirated material through Singapore, and removal of infringing material from Internet sites. In accordance with its FTA obligations, Singapore has implemented Article 1 through Article 6 of the Joint Recommendation concerning Provisions on the Protection of Well-Known Marks of 1999. It has signed and ratified the International Convention for the Protection of New Varieties of Plants (1991) and the Convention Relating to the Distribution of Program-Carrying Signals Transmitted by Satellite (1974).

Singapore is a member of the WTO and a party to the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS). It is a signatory to other international copyright agreements, including the Paris Convention, the Berne Convention, the Patent Cooperation Treaty, the Madrid Protocol and the Budapest Treaty. In September 2002, Singapore set up a specialized court (IP Court) under the Singapore Supreme Court to handle IP disputes. The WIPO Secretariat opened offices in Singapore in June 2005. Amendments to

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the Trademark Act, which took effect in January 2007, fulfill Singapore's obligations in WIPO's revised Treaty on the Law of Trademarks.

According to recent industry estimates, Singapore's piracy rate averaged about 5-10 percent for audio and video and 39 percent for business software. Software piracy levels in Singapore, while among the lowest in Asia, are almost double the estimated level in the United States. Business software losses were estimated at nearly $125 million in 2006. Rights holders have encountered difficulties when attempting to prosecute IP cases based on tips provided by company insiders. Singapore currently does not offer specific protection to "whistleblowers." As a result, many informants refuse to provide crucial testimony in court.

U.S. industry has raised concerns that Internet piracy in Singapore is on the rise as a result of the increasing availability of the country's broadband facilities. Industry groups also claim that the Copyright Act violates FTA obligations by permitting entities in Singapore to "simulcast" performances over the Internet without paying the proper license fees.

While a number of local educational institutions (the majority government-operated) have signed agreements to comply with legal obligations to pay royalty fees to publishers, unlawful duplication of textbooks at some commercial copy centers continues. The police have conducted multiple raids, but according to industry representatives, the activity is lucrative enough to continue in spite of the possibility of large fines.

Although it is a major global transshipment and transit point for sea and air cargo, Singapore does not collect information on the contents and destinations of most transshipment and transit trade, which accounts for 80 percent of cargo passing through the port. This lack of information makes enforcement against transshipment or transit trade in infringing goods virtually impossible. In addition, goods in transit are not subject to seizure under the Copyright Act, although it may be possible if a search warrant is obtained in advance. Under its FTA commitments, Singapore amended Section 31 of the Import/Export Act in November 2003 to facilitate information-sharing with the U.S. Customs and Border Protection and other country officials with which it has relevant trade agreements.

The FTA ensures that government agencies will not grant approval to patent-violating products. Singapore allows parallel imports. Under the amended Patents Act, the patent owner has the right to

bring an action to stop an importer of "grey market goods" from importing the patent owner's patented product if the product has not previously been sold or distributed in Singapore.

The FTA ensures protection of test data and trade secrets submitted to the government for product approval purposes. Disclosure of such information is prohibited for a period of five years for pharmaceuticals and ten years for agricultural chemicals. Singapore has no specific legislation concerning trade secrets, but rather protects investors' commercially valuable proprietary information under common law by the Law of Confidence. U.S. industry has expressed concern that this provision is inadequate.

Transparency Of The Regulatory System

The FTA enhances transparency by requiring regulatory authorities, to the extent possible, to consult with interested parties before issuing regulations, to provide advance notice and comment periods for proposed rules, and to publish all regulations.

Singapore in the past lacked a formalized system whereby it published proposed regulations for public comment. Beginning in April 2003, the government established a centralized Internet portal -- http://www.reach.gov.sg -- to solicit feedback on selected draft legislation and regulations, a process that is being used with increasing frequency. As noted in the "Openness to Foreign Investment" section, some U.S. companies, in particular, in the telecommunications and media sectors, are concerned about the government's lack of transparency in its regulatory and rule-making process.

Singapore strives to promote an efficient, business-friendly regulatory environment. Tax, labor, banking and finance, industrial health and safety, arbitration, wage and training rules and regulations are formulated and reviewed with the interests of both foreign investors and local enterprises in mind. Starting in 2005, a Rules Review Panel, comprising senior civil servants, began overseeing a review of all rules and regulations; this process will be repeated every five years. A Pro-Enterprise Panel of high-level public sector and private sector representatives examines feedback from businesses on regulatory issues and provides recommendations to the government.

Local laws give regulatory bodies wide discretion to modify regulations and impose new conditions, but in practice agencies use this positively to adapt incentives or other services on a case-by-case basis to meet the needs of foreign as well as domestic companies.

Procedures for obtaining licenses and permits are generally transparent and not burdensome, but some exceptions apply. Procedures can be faster for investors in areas considered national priorities. Singapore has established an online licensing portal to provide a one-stop application point for multiple licenses -- http://licences.business.gov.sg.

Corporate Governance: In January 2003, Singapore established a private sector-led Council on Corporate Disclosure and Governance to implement the country's Code of Corporate Governance. Compliance with the Code is not mandatory but listed companies are required under the Singapore Exchange Listing Rules to disclose their corporate governance practices and give explanations for deviations from the Code in their annual reports.

Accounting Standards: Singapore's prescribed accounting standards ("Financial Reporting Standards" or FRS) are aligned with those of the International Accounting Standards Board. Companies can deviate from these standards where required to present a "true and fair" set of financial statements. Singapore-incorporated, publicly-listed companies can use certain alternative standards such as International Accounting Standards (IAS) or the U.S. Generally Accepted Accounting Principles (US GAAP) if they are listed on foreign stock exchanges that require these standards. They do not need to reconcile their accounts with FRS. All other

Singapore-incorporated companies must use FRS unless the Accounting and Corporate Regulatory Authority exempts them.

Efficient Capital Markets And Portfolio Investment

Singapore actively facilitates the free flow of financial resources. Credit is allocated on market terms and foreign investors can access credit, U.S. dollars, Singapore dollars (SGD), and other foreign currencies on the local market. MAS formulates and implements the country's monetary and exchange rate policy, and supervises and regulates the country's sophisticated financial and capital markets.

Total assets under management in Singapore grew 24 percent to $581 billion between 2005 and 2006. Over 80 percent of the funds managed in Singapore are foreign sourced, with close to 60 percent of these funds invested in Asia. The government has sought to boost the country's asset management sector by placing with foreign-owned firms a significant portion of government reserves managed by the Government of Singapore Investment Corporation (GIC). Financial institutions issued more than US$16.8 billion in SGD-denominated corporate debt instruments in 2006.

Singapore's banking system is sound and well regulated. Total

domestic banking assets were US$359 billion as of June 2007. Local Singapore banks are relatively small by regional standards, but are reasonably profitable and have stronger capital levels and credit ratings than many of their peers in the region. As of June 2007, non-performing loans (NPLs, net of bank-to-bank loans) as a percentage of total loans were 2.2 percent (compared to 3.4 percent in June 2006).

A statutory requirement prohibiting banks from engaging in non-financial business took effect in July 2001. As of January 1, 2006, banks could hold 10 percent or less in non-financial companies as an "equity portfolio investment."

The Securities and Futures Act (SFA), implemented in 2002, introduced a host of policy reforms in Singapore's capital markets, moving them to a disclosure-based regime. The SFA allows for imposition of civil or criminal penalties against corporations listed on the Singapore Exchange (SGX) that fail to disclose material information on a continuous basis. Since January 2003, listed companies with more than US$44 million market capitalization have been required to prepare quarterly financial reporting. The SFA requires persons acquiring shareholdings of 5 percent or more of the voting shares of a listed company to disclose such acquisitions as well as any subsequent changes in their holdings directly to the SGX within two business days. The SFA also contains enhanced market misconduct provisions.

Political Violence

Singapore's political environment is stable and there is no history of incidents involving politically motivated damage to foreign investments in Singapore. The ruling People's Action Party (PAP) has dominated Singapore's parliamentary government since 1959, and currently controls 82 of the 84 regularly contested parliamentary seats. Singapore opposition parties, which currently hold two regularly contested parliamentary seats and one additional seat reserved to the opposition by the constitution, do not usually espouse views that are radically different from the mainstream of Singapore political opinion.

Corruption

Singapore typically ranks as the least corrupt country in Asia and one of the least corrupt in the world. Singapore has, and actively enforces, strong anti-corruption laws. The Prevention of Corruption Act, and the Drug Trafficking and Other Serious Crimes (Confiscation of Benefits) Act provide the legal basis for government action by the Corrupt Practices Investigation Bureau, an independent anti-corruption agency that reports to the Prime Minister. These laws cover acts of corruption both within Singapore as well as those

committed by Singaporeans abroad. When cases of corruption are uncovered, whether in the public or private sector, the government deals with them firmly, swiftly and publicly, as they do in cases where public officials are involved in dishonest and illegal behavior.

Singapore is not a party to the OECD Convention on Combating Bribery, but the Prevention of Corruption Act makes it a crime for a Singapore citizen to bribe a foreign official or any other person, whether within or outside Singapore.

Bilateral Investment Agreements

Singapore has signed Investment Guarantee Agreements (IGA's) with all other ASEAN member nations, the Belgium-Luxembourg Economic Union, and the following economic partners: Bahrain, Belarus, Bulgaria, Canada, China, the Czech Republic, Egypt, France, Germany, Hungary, Latvia, Mauritius, Mongolia, The Netherlands, Pakistan, Peru, Poland, Saudi Arabia, Slovakia, Slovenia, Sri Lanka, Switzerland, Taiwan, Ukraine, the United Kingdom, the United States, Uzbekistan and Zimbabwe. These agreements mutually protect nationals or companies of either country against war and non-commercial risks of expropriation and nationalization.

Singapore has signed free trade agreements, including investment chapters, with Australia, the European Free Trade Area (Switzerland, Norway, Lichtenstein, and Iceland), India, Japan, Jordan, New Zealand, Panama, Peru, South Korea, the United States, and Uzbekistan, as well as a Trans-Pacific Strategic Economic Partnership agreement (P-4) with Brunei, New Zealand, and Chile. Singapore is negotiating FTAs with Canada, China, the Gulf Cooperation Council, Mexico, Pakistan, and Ukraine. Singapore is a member of the Association of Southeast Asian Nations (ASEAN), which has concluded portions of FTAs with China and South Korea, and is negotiating FTAs with Australia/New Zealand, India, and Japan.

Singapore has signed tax treaties with a number of countries, but not with the United States.

OPIC And Other Investment Insurance Programs

Under a 1966 investment guarantee agreement with Singapore, the U.S. Overseas Private Investment Corporation (OPIC) offers insurance to U.S. investors in Singapore against currency inconvertibility, expropriation and losses arising from war. Singapore became a member of the Multilateral Investment Guarantee Agency (MIGA) in ¶1998.

Labor

As of mid-2007, Singapore's labor market totaled 2.61 million workers; this includes nearly 760,000 foreigners, of which about 80 percent are unskilled or semi-skilled workers. Local labor laws are flexible, and allow for relatively free hiring and firing practices. Either party can terminate employment by giving the other party the required notice. The Ministry of Manpower must approve employment of foreigners.

Singapore imposes a ceiling on the ratio of unskilled/semi-skilled foreign workers to local workers that a company can employ, and charges a monthly levy for each unskilled or semi-skilled foreign worker. The government also provides incentives and assistance to firms to automate and invest in labor-saving technology.

Labor-management relations in Singapore are generally amicable. More than 20 percent of the workforce is unionized. The majority of unions are affiliated with the National Trades Union Congress (NTUC), which maintains a symbiotic relationship with the PAP ruling party. Although workers, other than those employed in the three essential services of water, gas and electricity, have the legal right to strike, no workers have done so since 1986.

Singapore has no minimum wage law; the government follows a policy of allowing free market forces to determine wage levels. Singapore has a flexible wage system in which the National Wage Council (NWC)

recommends non-binding wage adjustments on an annual basis. The NWC is a tripartite body comprising a Chairman and representatives from the Government, employers and unions. The NWC recommendations apply to all employees in both domestic and foreign firms, and across the private and public sectors. While the NWC wage guidelines are not mandatory, they are widely implemented. The level of implementation is generally higher among unionized companies compared to non-unionized companies.

Foreign Trade Zones/Free Trade Zones

Singapore has five free-trade zones (FTZs), four for seaborne cargo and one for airfreight. The FTZs may be used for storage and repackaging of import and export cargo and goods transiting Singapore for subsequent re-export. Manufacturing is not carried out within the zones. Foreign and local firms have equal access to the FTZ facilities.

Foreign Direct Investment Statistics

The United States is one of Singapore's largest foreign investors, with over 1,500 U.S. firms in operation. According to the Singapore Department of Statistics (Singapore DOS), U.S. cumulative foreign direct investments in Singapore totaled US$25.7 billion in 2005 (latest available data). According to U.S. Department of Commerce statistics (USDOC), U.S. firms (manufacturing and services) in 2006 had cumulative total investments in Singapore of $60.4 billion. Discrepancies between USG and GOS FDI numbers are attributable to differences in accounting methodologies.

Investment Statistics

TABLE A

STOCK OF FOREIGN DIRECT INVESTMENT (FDI) IN SINGAPORE BY COUNTRY
(As at Year-end, Historical Cost)
(US$ million)

	2002	2003	2004	2005
Total FDI	135,390	147,961	174,977	186,927
United States	20,170	22,151	27,636	25,691
Canada	1,594	1,532	1,754	1,551
Australia	1,451	1,233	1,653	1,621

	2002	2003	2004	2005
New Zealand	113	85	87	135
Europe	54,596	62,501	74,615	80,529
European Union	43,985	49,586	60,588	62,691
France	2,893	3,164	3,412	3,395
Germany	4,245	3,633	4,481	4,548
Netherlands	14,576	16,219	19,747	19,064
Norway	1,639	2,745	3,818	4,718
Switzerland	8,761	9,959	10,128	13,010
United Kingdom	18,917	23,147	27,663	30,137
Asian Countries	31,827	34,365	39,304	44,451
China	552	510	233	244
Hong Kong	2,793	2,381	2,806	2,939
Japan	19,037	19,973	22,961	24,710
South Korea	661	989	518	790
Taiwan	2,908	3,474	3,508	4,290
India	233	207	293	772
ASEAN	5,292	5,001	5,391	6,704
Brunei Darussalam	209	201	219	229
Indonesia	1,018	981	672	756
Laos	0	0	0	0
Malaysia	3,076	2,680	3,150	4,300
Philippines	554	536	686	683
Thailand	413	586	640	714
Vietnam	16	14	20	12
Cambodia	0	0	1	0

Burma	4	4	5	9
Carribbean/Latin America	23,380	23,466	26,417	28,245
Other Countries	2,260	2,627	3,510	4,703

Source: Department of Statistics, "Foreign Equity Investment in Singapore, 2005"

TABLE B

STOCK OF FOREIGN DIRECT INVESTMENT (FDI) IN SINGAPORE BY INDUSTRY
(As at Year-end, Historical Cost)
(US$ million)

	2002	2003	2004	2005
Total FDI	135,390	147,961	174,977	186,927
Manufacturing	49,496	53,926	59,324	62,253
Food, Beverages & Tobacco	271	274	305	362
Textiles, Wearing Apparel & Leather	49	49	49	50
Wood & Wood Products	0	2	3	1
Paper & Paper Products, Printing & Publishing	441	373	408	479
Petroleum & Petroleum Products	7,269	8,020	8,366	8,385
Chemicals & Chemical Products	3,174	3,414	4,329	4,830
Pharmaceutical & Biological Products	13,503	17,240	19,509	23,243
Rubber & Plastic Products	523	568	632	530
Basic Metals	16	21	24	13
Fabricated Metal Products	813	735	891	836
Machinery & Equipment	1,536	1,636	1,648	2,091
Electrical Machinery & Apparatus	766	941	1,011	916
Electronic Products &				

Components	18,313	17,437	18,306	17,518
Transport Equipment	943	1,125	1,463	933
Instrumentation, Photographic & Optical Goods	1,430	1,658	1,962	1,581
Others	447	433	489	486
Construction	1,123	829	691	631
Commerce	21,921	23,572	28,153	29,328
Wholesale Trade	19,886	21,561	25,998	27,535
Retail Trade	700	532	610	564
Restaurants & Hotels	1,335	1,480	1,545	1,229
Transport, Storage & Communications	5,028	6,017	8,029	10,164

Water				
Transport	4,139	5,098	6,994	9,023
Land & Air Transport	-20	-47	-28	-50
Warehousing				
Post & Courier Services	909	965	1,064	1,192
Information & Communications	-397	1,734	2,115	2,084
Financial & Insurance Services	47,534	52,697	66,494	71,591
Financial Services	45,817	50,616	64,057	68,567
Banks	4,866	5,282	5,448	5,414
Investment Holding Companies	36,567	40,640	52,158	56,698
Other Financial Services	4,384	4,694	6,451	6,454
Insurance Services	1,717	2,081	2,437	3,024
Real Estate	4,030	3,787	4,173	3,935
Business Services	3,798	4,576	5,035	5,884
Others	90	89	92	95

Source: Department of Statistics, "Foreign Equity Investment in Singapore, 2005"

TABLE C

STOCK OF DIRECT INVESTMENT ABROAD BY COUNTRY
(As at Year-end, Historical Cost)
(US$ Million)

	2002	2003	2004	2005
Total Direct Investment	85,761	91,553	107,250	111,225
Asia	40,926	45,636	52,369	57,238
ASEAN	17,786	20,505	24,373	26,236
Brunei	82	36	39	36
Indonesia	4,430	6,109	7,366	8,360
Malaysia	7,674	7,992	9,054	9,551
Philippines	1,649	1,898	2,002	2,081
Thailand	2,363	2,767	4,422	4,607
Vietnam	798	860	934	1,032
Cambodia	149	137	75	73
Burma	611	666	430	446
Laos	29	39	51	49
Hong Kong	6,896	6,610	6,708	7,361
Taiwan	1,926	2,168	2,335	2,664
China	10,392	11,653	13,584	15,297
Japan	946	1,161	1,394	1,464
South Korea	1,427	1,503	1,734	1,879
India	235	670	766	1,063
Europe	8,919	7,986	8,294	7,445
European Union	6,575	6,053	6,946	6,480
Netherlands	700	440	618	661
United Kingdom	4,016	4,472	4,438	4,255
France	143	242	146	133
Germany	65	63	241	247
Switzerland	306	354	230	197

United States	4,748	5,310	5,867	5,607
Canada	13	63	75	141
Australia	1,915	2,733	5,307	4,403
New Zealand	509	627	788	713

Caribbean/Latin America	24,263	24,965	26,655	28,040
Other Countries	4,468	4,231	7,896	7,639

Source: Department of Statistics, "Singapore's Investment Abroad, 2005"

TABLE D

GDP AND FDI FIGURES, 2002-2006
(US$ Million)

Year	GDP*	FDI	FDI as ratio to GDP**
2002	90,811	135,390	1.49
2003	98,512	147,961	1.56
2004	111,115	174,977	1.57
2005	116,717	186,927	1.60

Footnote: *GDP at Current Market Price
**Based on Singapore dollars
Source: Department of Statistics

Table E

TOP 20 MAJOR FOREIGN INVESTORS BY TOTAL ASSETS
(US$ Billion)

Company	Country of Origin	Total Assets	Business Activities
Citicorp Singapore	U.S.	30.17	Banking
J.P. Morgan Securities Asia	U.S.	28.42	Finance
Glaxo Wellcome Mfg.	U.K.	21.62	Healthcare Products
Exxonmobil Asia Pacific	U.S.	9.43	Chemicals
Hewlett-Packard Singapore	U.S.	8.88	Electronics
Prudential Assurance Co.	U.K.	7.81	Insurance
Shell Eastern Trading	Netherlands	5.90	Chemicals
National Australia Merchant Bank	Australia	4.98	Banking
Credit Suisse Singapore	Switzerland	4.54	Banking
Asia Food & Properties	BVI	4.33	Multindustry
ING Asia	Netherlands	3.81	Banking
Citigroup Holding	U.S.	3.61	Finance
Shell Treasury Centre East	Netherlands	3.39	Finance
BP Singapore	U.K.	3.27	Chemicals
Motorola Trading Center	U.S.	3.14	Electronics
Hewlett-Packard International	U.S.	2.82	Electronics
Texas Instruments Singapore	U.S.	2.58	Electronics
Kuok Singapore	Cook Islands	2.15	Multi-industry
Vitol Asia	Netherlands	2.15	Chemicals
Aviva Ltd	U.K.	2.03	Insurance

Source: DP Information Group, "Singapore 1000, 2007"

ANNEX: INVESTMENT INCENTIVES

INCENTIVES ADMINISTERED BY THE MONETARY AUTHORITY OF SINGAPORE (MAS)

As part of the government's strategy to develop Singapore into a premier financial center, MAS offers tax incentives for financial institutions looking to set up operations here.

A) Financial Sector Incentive ("FSI") Scheme
B) Tax Incentive Scheme for Qualifying Processing Services Company
C) Tax Incentive Scheme for Offshore Insurance Business
D) Tax Exemption Scheme for Marine Hull & Liability Insurance Business
E) Abolition of Withholding Taxes on Financial Guaranty Insurance Contracts
F) Tax Incentive Scheme for Commodity Derivatives Trading
G) Tax Incentive Scheme for Approved New Derivative Products traded on the Singapore Exchange
H) Tax Incentive Scheme for Finance and Treasury Centers
I) Tax Incentive Scheme for Approved Trustee Companies
J) Tax Incentive Scheme for Syndicated Facilities
K) Innovation in Financial Technology & Infrastructure Grant Scheme
L) Tax Incentive for Trading Debt Securities
M) Financial Sector Development Fund
N) Financial Investor Scheme for Singapore Permanent Residence
O) Foreign Charitable Trust Incentive
P) Tax Incentive for Approved Fund Managers
Q) Over-the-Counter (OTC) Financial Derivative Payments

Further guidelines and application information are available at http://www.mas.gov.sg.

INCENTIVES ADMINISTERED BY THE ECONOMIC DEVELOPMENT BOARD (EDB)

A) Pioneer Status
B) Development & Expansion Incentive
C) Investment Allowance Incentive
D) Approved Foreign Loan Scheme
E) Approved Royalties Incentive
F) Entrepreneurship Investment Incentive
G) HQ Program
H) Double Deduction for Research and Development (R&D) Expenses
I) Research Incentive Scheme for Companies
J) Exemption of foreign sourced interest and royalty income for R&D purposes
K) Innovation Development Scheme
L) Initiatives in New Technology
M) Integrated Industrial Capital Allowance
N) Special Goods & Services Tax Scheme for 3rd Party Logistics Service Providers
O) The Enterprise Challenge (TEC) Scheme

Further guidelines and application information are available at http://www.sedb.com.

INCENTIVES ADMINISTERED BY INTERNATIONAL ENTERPRISE SINGAPORE (IE Singapore)

A) Double Tax Deduction (DTD) Scheme
B) Global Trader Program (GTP)
C) International Marketing Activities Program (IMAP)
D) International Partners Program
E) Manpower for Internationalization Program

F) Regionalization Finance Scheme
G) iFinance Consulting Program
H) Design for Internationalization Program
I) Branding for Internationalization Program

Further guidelines and application information are available at http://www.iesingapore.gov.sg.

INCENTIVES ADMINISTERED BY THE MEDIA DEVELOPMENT AUTHORITY
(MDA)

A) Market Development Scheme (MDS)
B) TV Content Industry Development Scheme
C) Digital Content Development Scheme
D) Digital Technology Development Scheme

Further guidelines and application information are available at http://www.mda.gov.sg.

INCENTIVES ADMINISTERED BY INFOCOMM DEVELOPMENT AUTHORITY OF SINGAPORE (IDA)

A) Connected Homes
B) iLIUP (infocomm Local Industry Upgrading Program)
C) Overseas Development Program
D) SAFE (Securing Assets for End-Users) Program
E) WEAVE (Web Services)
F) Wired With Wireless Program
G) Digital Exchange
H) RFID Development Plan
I) Pilot and Trial Hotspots (PATH)
J) The Competency Centre Program (CCP)

Further information, details, and guidelines are available at http://www.ida.gov.sg.

INCENTIVES ADMINISTERED BY MARITIME PORT AUTHORITY (MPA)

A) Approved International Shipping Enterprise Scheme

Further information, details and guidelines are available at http://www.mpa.gov.sg